

THE FINANCIAL IMPLICATIONS FOR CONSUMERS OF ELECTRIC DEREGULATION IN ILLINOIS

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SUMMARY

1. Re-regulate power supplies as quickly and as efficiently as possible!
2. Give up on retail competition for all but the very largest customers.

HOW CAN ILLINOIS RE-REGULATE POWER SUPPLIES EFFICIENTLY?

1. Re-initiate least cost planning for each distribution utility.
2. Include purchased power contract possibilities of various durations from transparent wholesale market auctions.

HOW CAN ILLINOIS RE-REGULATE POWER SUPPLIES EFFICIENTLY? (Continued)

3. Require distribution utilities to self-build power plants on a regulated basis, if least cost.
4. Include demand-side management investments as part of least cost planning. If demand falls, prices will also.
5. Include distributed generation options.

WHY WILL UTILITY SELF-BUILD SUPPLY OPTIONS BE NEEDED?

1. To cap impact of market power which can never be eliminated from wholesale market.
2. Because return on capital to unregulated generation owners will rise as demand approaches supply relative to regulated cost-of-capital.
3. Because utility-owned power plants provide a long-run hedge on wholesale market prices.

WHY ABANDON RETAIL COMPETITION FOR ALL BUT LARGEST CUSTOMERS? (OR FOR ALL CUSTOMERS)

1. It is more economically efficient for distribution utilities to supply power to all their customers as a group.
2. The additional costs of marketing and selling to individual retail customers will always greatly exceed the A&G costs per customer of vertically integrated utilities.
3. Conclusion – retail competition will never be cost-effective for society as a whole.